



*Clean Energy*<sup>SM</sup>



# Stable Fuel Pricing for Transit Properties

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By

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Clean Energy



# Stable Fuel Pricing Agenda

- Clean Energy Overview
- Gas Transportation Basics
- Gas Industry Dynamics
- Structuring the Fuel Agreement
- Transit Property Benefits
- Conclusion



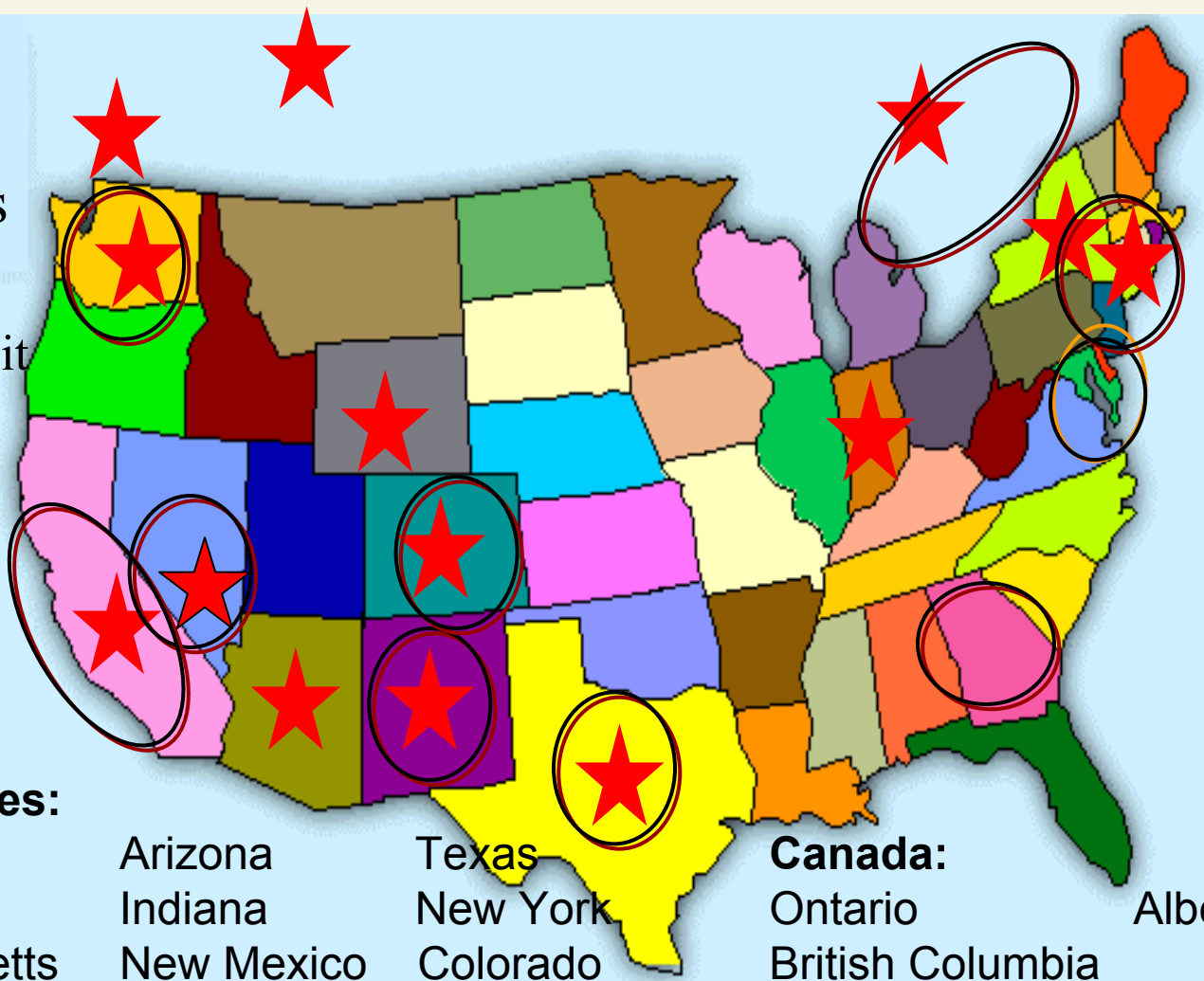
# Clean Energy Overview Today

- Founded 1997 – Pickens Fuel Corp.
- Headquartered – Seal Beach, CA
- Offices : 8
  - Seal Beach, CA (Corp. Headquarters)
  - Burnaby & Toronto, Canada
  - Phoenix, Arizona
  - Denver, Colorado
  - Dallas, Texas
  - Boston, Massachusetts
  - Seattle, Washington
- Employees:  $\approx 75$
- Sales: 2003 Target  $\approx 40$  million gallons



## Clean Energy Rolling Across the U.S.

- Transit
- Airports
  - Taxi
  - Transit
- Refuse



### United States:

California

Washington

Massachusetts

Wyoming

Arizona

Indiana

New Mexico

Texas

New York

Colorado

### Canada:

Ontario

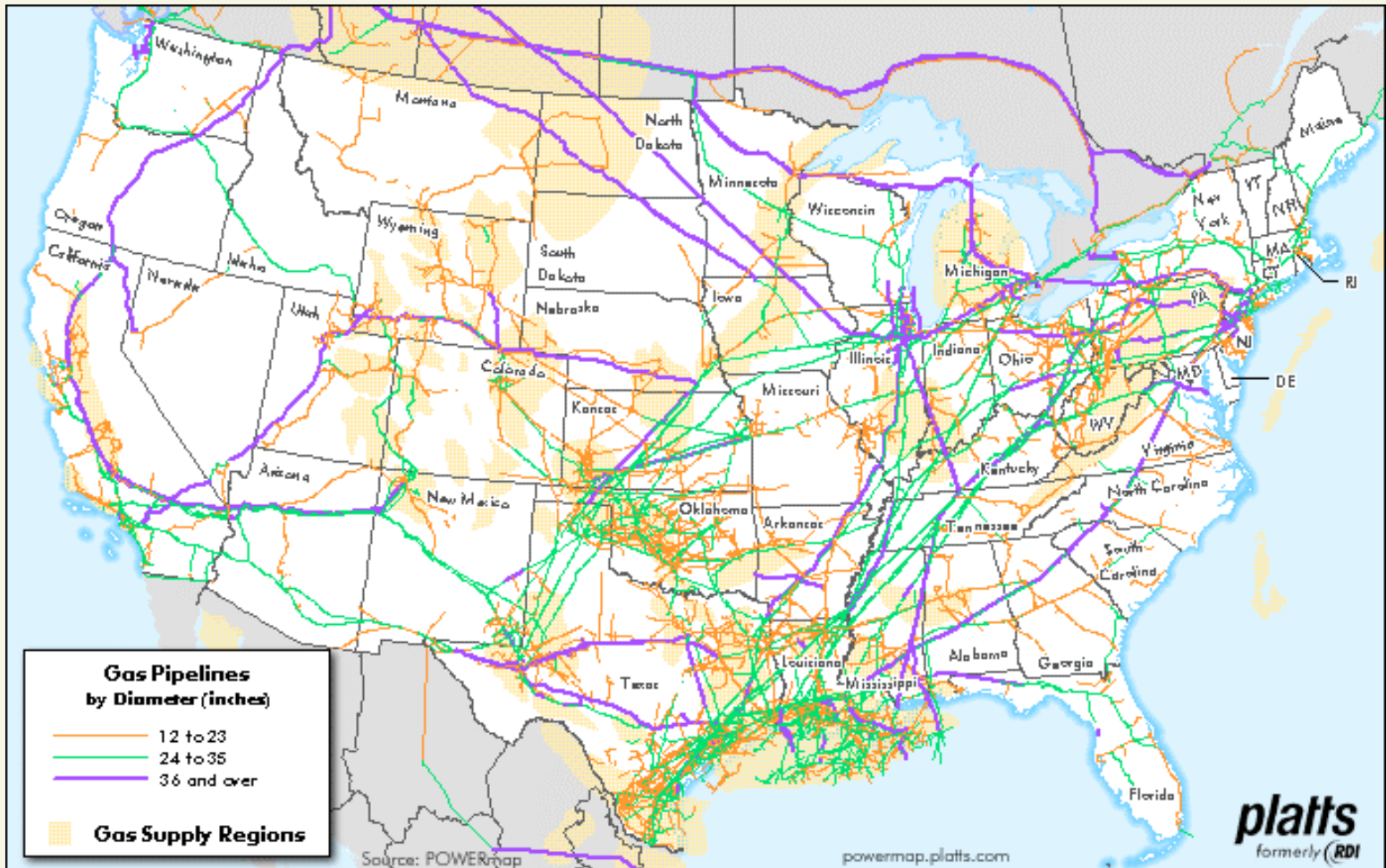
British Columbia

Alberta



# Clean Energy Services

- Turn Key Services
  - Design, Build, Operate & Maintain New or Existing CNG / LNG / Hydrogen Stations
- Financing
  - New / Existing Stations and Expansions
  - Flexible Ownership Arrangements
- Stable, Fixed Price Fuel Agreements
  - CNG and / or LNG Supplies





# Stable Fuel Pricing Gas Industry Dynamics

- Natural Gas Price/Supply Dynamics
  - **Production:** (Rig Count, Mex import, Canadian export)
  - **Demand:** (Economy, Weather, Industrial Demand)
  - **Storage:** (Perception, Actual Levels – Spring / Fall)
- Price Volatility
  - Consumer Fears
  - All Factors noted above: Weather, Oil Supply, etc.
- Forward Curve
  - Reflection of Trading Perspective of Future Value



# Stable Fuel Pricing

## Gas Industry Dynamics – Recent History

- **Dynamics**
- Last Winter- Cold/Hot
- Jan-May Price Trend
- Demand Destruction
  - Chemical/Fert. Industry
  - Economy
- Cool Summer: Elec. Load
- Injection Inventory: High
- **Impact Demand/Price**
- Demand Up
- Up, Up, & Away
- Demand Down
  - Injection Up
  - Price Stabilizes
- Demand Down
- Price Down

# Stable Fuel Pricing

## Gas Industry Dynamics – Outlook



- **Dynamics**
- Winter Pattern?
- Economy – Heating Up
- Lingering Demand Destruction
- Exit Winter - Inventory
- Future
  - Production same or down
  - Economy Growing
- Guarantee
- **Impact Demand/Price**
- Up / Down
- Demand Increasing
- Demand Down
- Up – Price Drop
- 2005 – Price Pressure Up
- Price to be Up and Down!



# Stable Fuel Pricing

## Gas Transportation Basics

- Commodity / Supply Costs
  - Deregulated Gas Market
    - Commodity Traded
    - Variety of Trading Points
  - Utility Buying Power
    - Retain Market Buying Power
    - Multiple Factors Influence Price Fluctuation



# Stable Fuel Pricing

## Gas Transportation Basics

- Traditional Supply Sources
  - LDC (Utilities)
  - Marketers / Brokers
- Getting Gas to Your Property
  - Gas Supply, Interstate, Intrastate



# Stable Fuel Pricing

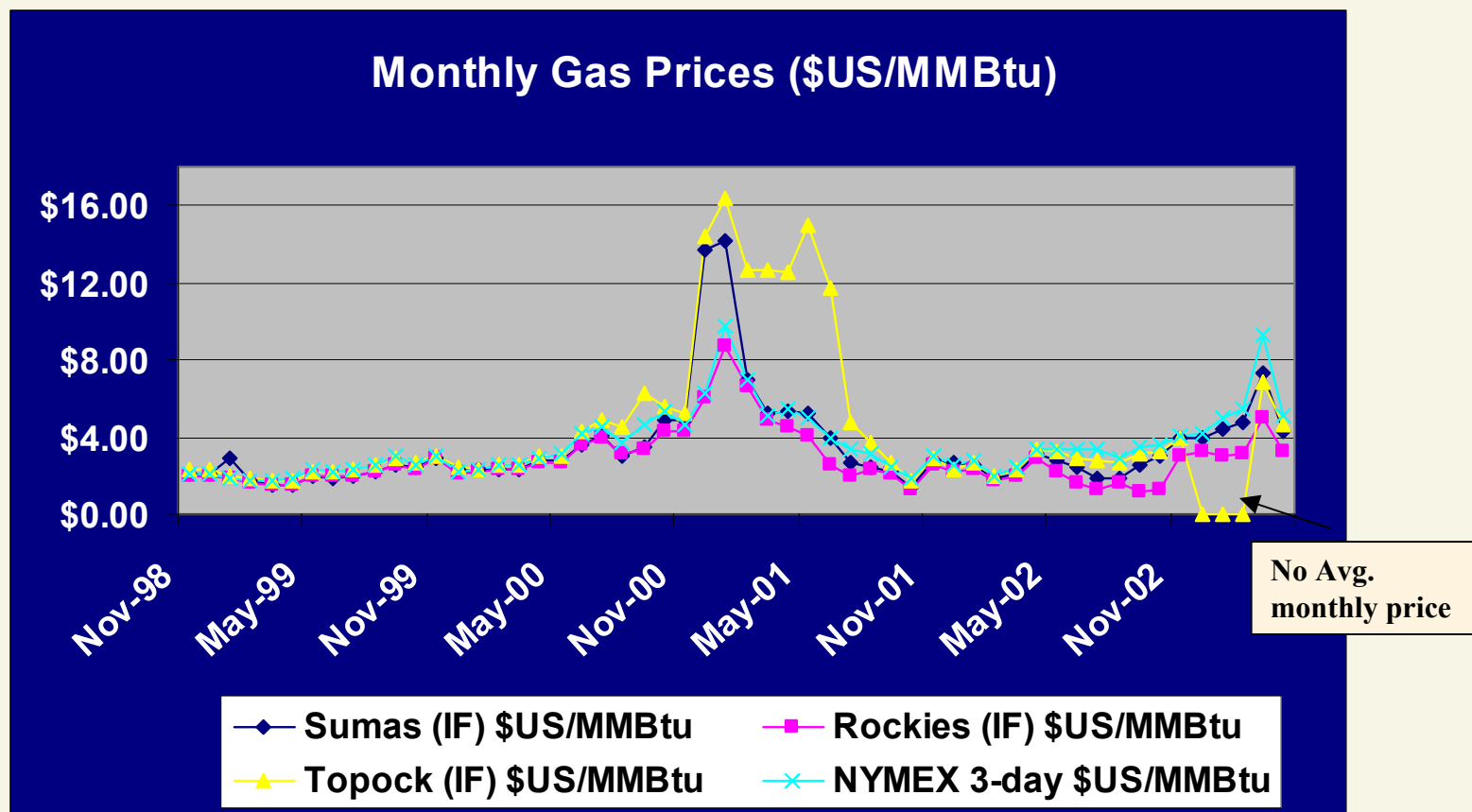
## Gas Transportation Basics

- Marketer / Broker vs. Utility Supplier
  - Who controls pipeline capacity?
    - What are the price controls?
  - What happens to your Interruptible Status?
  - Who must manage Storage / Inventory Supplies?
  - Who is responsible for any system imbalances?
  - What are the appropriate Tariffs?
  - If you “leave” the system, how can you return?



# Stable Fuel Pricing

## Gas Transportation Basics



# Stable Fuel Pricing

## Structuring the Fuel Agreement

- Marketer / Broker Option
  - Supply, Transport, Fee & Price Management
  - Communication is key
  - Linked or Independent Hedge Agreement
- Utility Option
  - Continue Standard Purchase / Supply Option
  - Hedge Supply Agreement



# Stable Fuel Pricing

## Structuring the Fuel Agreement

- OBJECTIVE:
  - Fixed Fuel Price over a period of time.
- Fixing the 3 components of Gas Cost
  1. Part 1: Gas Supply at Purchase Point
  2. Part 2: Interstate Transportation
  3. Part 3: Intrastate Transportation (Utility)



# Stable Fuel Pricing

## Structuring the Fuel Agreement

### Part 1: Hedge Gas Supply Agreements

- **Fixed Price Agreements**
  - Purchase Forward Contracts for all or partial supply
  - Each Contract = 10 million CF ( $\approx 80,000$  GGE)
  - Contracts are for individual months, 5+ yrs
  - Carrying Costs & Handling Fees
- **Timing is important**
  - Rely on over 150 years of NG industry experience to procure favorable price
    - Sister company, BP Capital, actively trades & procures contracts



# Stable Fuel Pricing

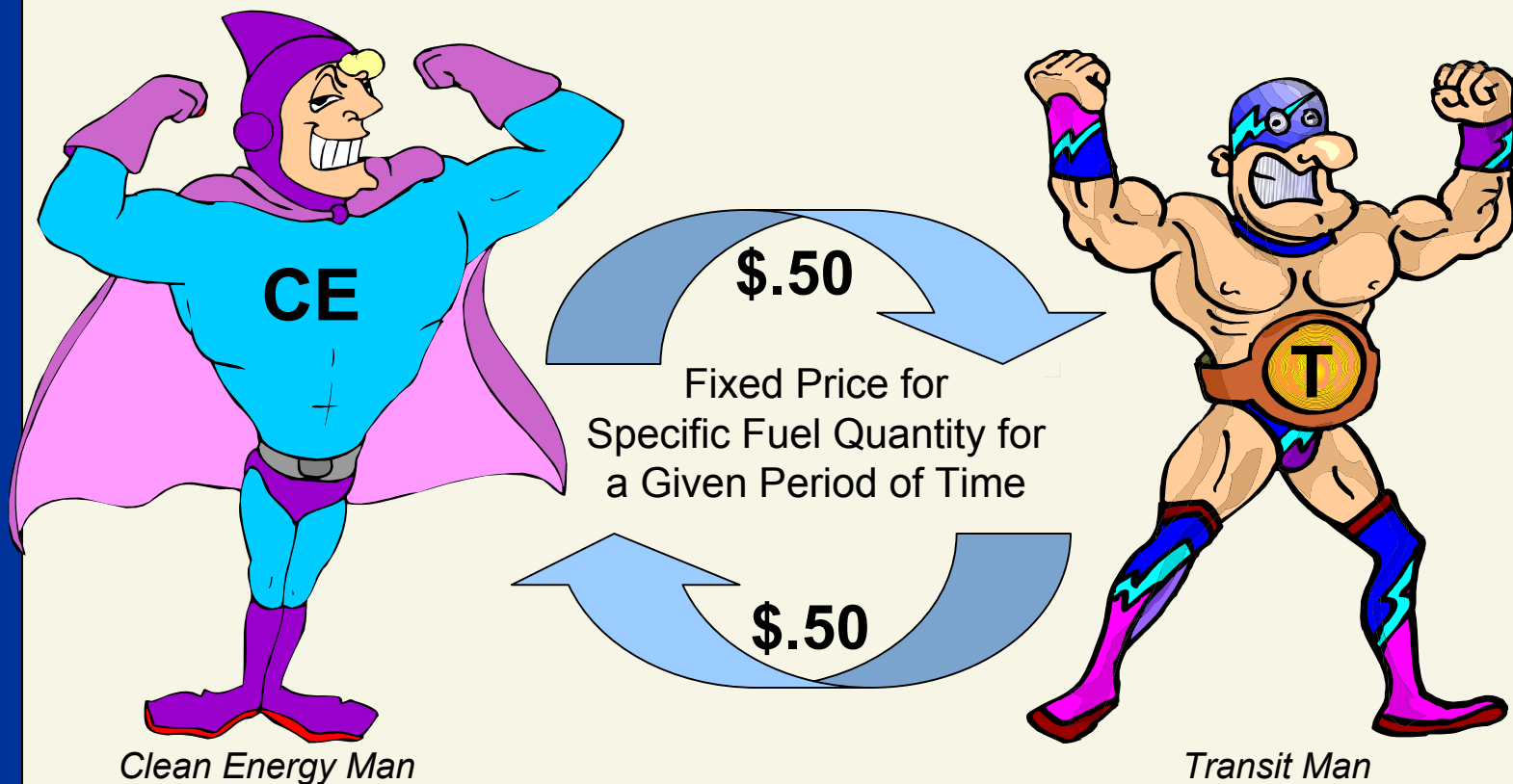
## Structuring the Fuel Agreement

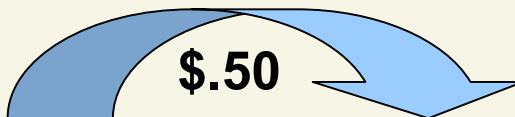


- Part 2: Interstate Transportation
  - Secure the Price to Transport across the U.S.
  - “Basis” = Transport capability
- Part 3: Intrastate Transportation
  - Stable Utility Pricing, treated separately

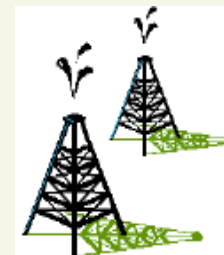
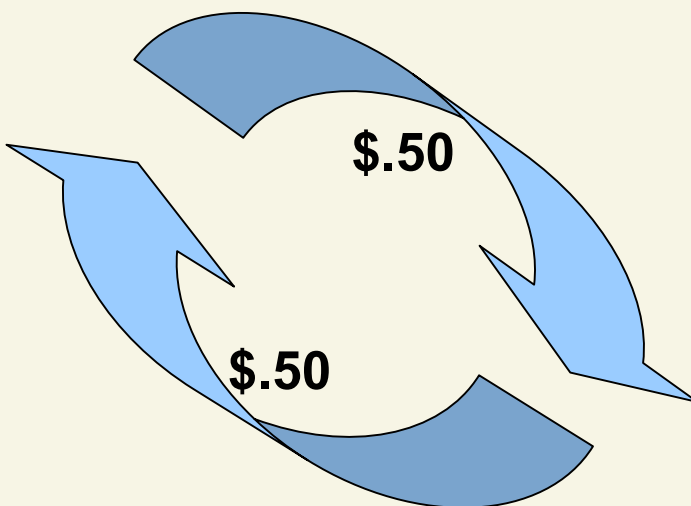
# Utility Hedge Example

## Fixed Price Fuel



*Clean Energy Man*

Fixed Price for  
Specific Fuel Quantity for a  
Given Period of Time

*Transit Man*



*Clean Energy Man*



Fixed Price for Specific  
Fuel Quantity for a  
Given Period of Time



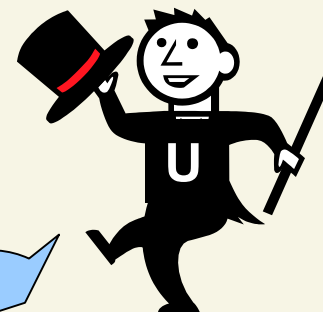
*Transit Man*



*Clean Energy Man*



Fluctuating Monthly Price  
Price Increase



*Utility Man*



**\$.50**

**\$.75**



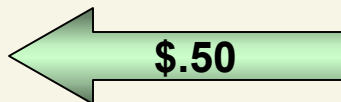
*NYMEX Man*



Balance for  
NYMEX Sales



*Clean Energy Man*



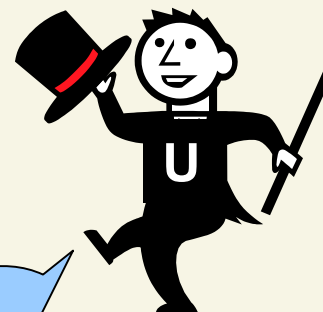
Fixed Price for Specific  
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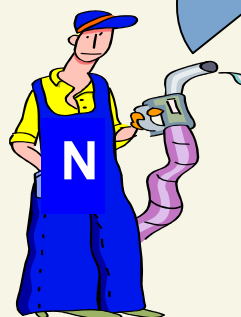
*Transit Man*



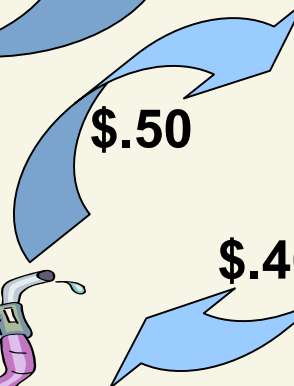
*Clean Energy Man*



*Utility Man*



*NYMEX Man*

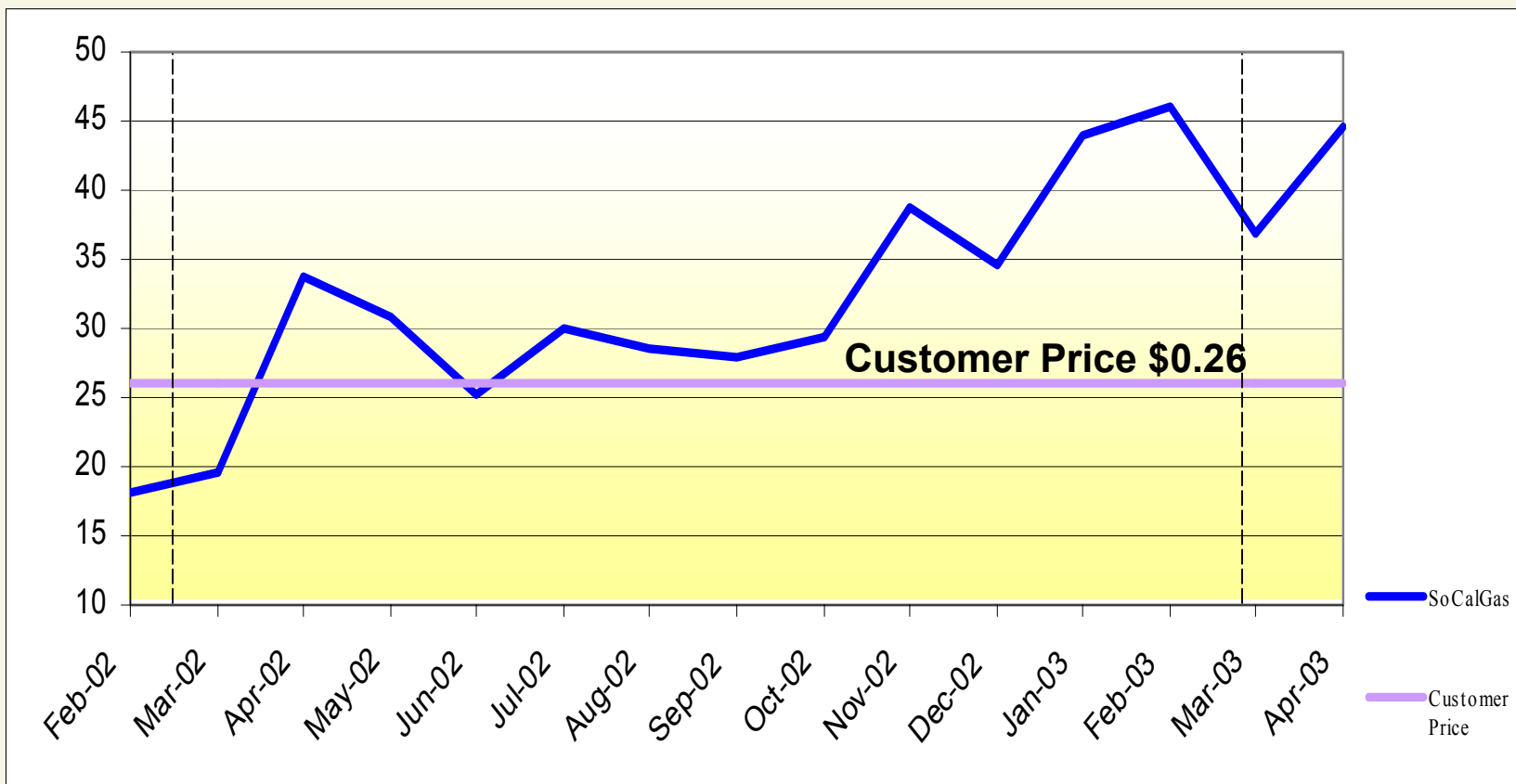


**\$.50**

**\$.40**



# Customer Example





# Stable Fuel Pricing Transit Property Benefits

- Expert Consultation
- Tailored Fuel Program
- Easier Budget Planning
- Increased Budget Accuracy



## Stable Fuel Pricing Conclusion

- Clean Energy provides complete, turn-key Services:
  - Flexible term, fixed price, fuel contracts
  - O & M for new / existing NG stations
  - Financing new / existing NG stations
  - Grant writing & Public Policy Support
- Clean Energy is prepared to further make your NG operation a success.